GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:496
ANSWERED ON:28.02.2008
DIVERSION BLACK MARKETING OF KEROSENE LPG
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Kerosene/LPG are being diverted/black-marketed for adulteration/commercial use and there is an acute shortage of kerosene/LPG in the country particularly in Bihar, Jharkhand, Chattisgarh, Kerala and Tamil Nadu;

(b) if so, the steps taken to check the diversion/black-marketing of Kerosene/LPG and to ensure availability of these items at fair price to consumers; and;

(c) measures taken to increase the production of kerosene/LPG?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) & (b): The possibility of black marketing of Kerosene (SKO) and Liquefied Petroleum Gas (LPG) by some unscrupulous elements cannot be ruled out due to huge price difference. Allocation of Public Distribution System (PDS) SKO is made by the Government of India to different States/ Union Territories (UTs) on a quarterly basis for distribution under PDS. Further distribution within the States/UTs through their PDS network is the responsibility of the concerned States/ UTs. In accordance with the policy adopted by the Government of India in 2000, SKO allocation for distribution under the PDS was reduced every year beginning 2001-02 till 2003-04, taking into account the number of LPG connections released in each State/Union Territory. There has been no reduction in the PDS Kerosene to States/UTs after the financial year 2004-05. For the years 2005-06 and 2006-07, allocations have been maintained at the level of 2004-05, including additional allocations made during that year. Allocations for 2007-08 have also been maintained at the same level. As on date no shortage of kerosene has been reported in any part of the country.

Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors. However, OMCs have reported backlog in LPG supplies in certain States in the country due to reduction in supply of bulk LPG by Reliance Industries Limited (RIL) & Essar Oil Limited in January 2008, delay in movement of bulk LPG by rail from Jamnagar to the Northern Region, increased demand in the States due to severe cold which resulted in panic booking by the customers, strikes by contract labour, agitational activities, delays in berthing of vessels at Haldia Port due to reduced draft, bandhs etc.
Government has advised OMCs to liquidate the backlog in the States by operating the bottling plants on holidays and during extended hours. Increased bottling is also being done during the working days for early clearance of backlog.
With a view to distribute the subsidized PDS kerosene to the targeted beneficiaries, the Government has taken the following steps :
Kerosene: In order to check the black marketing of Public Distribution System (PDS) kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, according to which the dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or OMCs and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place.
Under the Control Orders issued by the Government to prevent diversion and black-marketing of kerosene under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in black-marketing and other irregularities.
Government have also approved a pilot project − 'Jan Kerosene Pariyojana' (JKP) for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized product is actually made available in the required quantities at subsidized prices to the intended beneficiaries; and secondly, to thus cap, reverse and eventually eliminate the diversion of PDS kerosene for adulteration. One of the salient features of this scheme is that supplies to the sub-wholesale points will be made under the direct supervision and responsibility of the public sector OMCs. The scheme has been launched on a pilot basis in 414 blocks in the country from 2nd October, 2005. The pilot scheme has been further extended upto 31.03.2008.
With a view to checking diversion of subsidized kerosene and in order to monitor the movement of Tank Trucks transporting petroleum products, the Government have advised the public sector OMCs for installing Global Positioning System (GPS) based vehicle tracking system on all the tank trucks. The essential features of the system is that the vehicle carrying PDS SKO is fitted with a device and can be tracked on real time basis from the time it leaves the supply location and till it reaches the destination.
To check adulteration in auto fuels, and also to check diversion of subsidized kerosene, Government have also advised OMCs to introduce marker in adulterants. Public sector OMCs have commenced introduction of marker in kerosene on all India basis with effect from 1.10.2006. Under this system, Marker is being put in kerosene in all depots. This system heralds the introduction of world-class technology to curb and eventually eliminate the menace of adulteration of transportation fuels along the supply chain. With the marker's

presence, adulteration even with very low levels of kerosene can be detected. MS/HSD Control Order, 2005, SKO Control Order, 1993 and MDG 2005 have been amended for making provision regarding introduction of marker system in Kerosene to check adulteration. A committee has been set up in the Ministry to monitor the progress of the marker system. Oil Marketing Companies in the Private sector have also been simultaneously asked to introduce marker in Kerosene as is being done by Public Sector OMCs.
LPG: The following measures have been taken to prevent the diversion/black marketing of domestic LPG cylinders for commercial purposes:

(i) Under the LPG (Regulation of Supply and Distribution) Order, 2000 promulgated under the Essential Commodities Act, 1955 the diversion/black marketing of domestic LPG cylinders for commercial purposes by the distributors of public sector OMCs is prohibited. The State Governments are empowered to take action against erring distributors under the provisions of this Order. The State Governments have been alerted from time to time to take steps against the diversion of domestic cylinders for unauthorized usage.

(ii) The officials of public sector OMCs carry out random checks at distributor's godown, delivery point, as well as en-route to ensure that no diversion/black marketing takes place. As per the MDG, in established cases of diversion/black marketing of domestic LPG cylinder for commercial purposes, the following action is taken against the distributor.

(a) Fine of Rs 20,000 plus the price of LPG diverted at commercial rates for 1st offence.

(b) Fine of Rs 50,000 plus the price of LPG diverted at commercial rates for 2nd offence, and

(c) Termination of the distributorship for 3rd offence.

(c) To improve the production of petroleum products including kerosene/LPG, measures are being taken to improve the production of crude oil. Following steps are being taken to accelerate hydrocarbon exploration and production activities in the country to meet the growing demand: -

(i) Carving out and placing on offer more and more areas for exploration under various rounds of New Exploration Licensing Policy (NELP).

(ii) Quicker development of discovered reserves for enabling commencement of production.

(iii) Use of stimulation technique for increasing production from existing fields.

(iv) Application of Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) techniques for increasing recovery factor from existing fields.

(v) Arresting decline from ageing fields.

(vi) Acquisition of exploration acreages and producing properties overseas to bring in equity oil.

(vii) Substitution of oil through use of non-conventional sources of energy such as bio-diesel, ethanol, etc.